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Meer, Marc van der

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Marc van der Meer^{*}

Labour Market Reform in the Dutch Construction Industry: Lessons for Germany?^{**}

In this article, Dutch labour market reform is related to collective bargaining processes. Based on evidence from recent fieldwork in the construction industry in the Netherlands, it is proposed that a useful theory of wage-setting should include, apart from economic contracts, wage norms and political coordination better to understand its impact in the labour market. The paper explains why and to what extent interest organisations in the Dutch construction industry have developed an active labour market policy ('Bouw-vak-werk') over a period of two decades with interesting positive results. Finally, five comparative lessons are drawn with particular emphasis to the German construction industry.

Arbeitsmarktreform in der niederländischen Bauindustrie: Lehren für Deutschland?

Reformen des niederländischen Arbeitsmarktes werden in diesem Beitrag mit Prozessen der Tarifverhandlungen in Beziehung gesetzt. Basierend auf Untersuchungen in der Bauwirtschaft in den Niederlanden wird vorgeschlagen, daß eine geeignete Theorie der Tarifverträge nicht nur ökonomische Verträge, sondern auch Tarifnormen und politische Koordination berücksichtigen muß, um ihre Bedeutung für den Arbeitsmarkt zu verstehen. Damit kann erklärt werden, weshalb und in welchem Ausmaß Interessengruppen in der niederländischen Bauwirtschaft innerhalb einer Dekade eine aktive Arbeitsmarktpolitik ('Bouw-Vak-Werk') mit bemerkenswerten positiven Resultaten betrieben haben. Abschließend werden aus vergleichender Perspektive fünf Lehren mit Blick auf die deutsche Bauwirtschaft gezogen.

^{*} Dr Marc van der Meer (1966) is assistant professor at the Amsterdam Institute for Advanced Labour Studies of the University of Amsterdam, Roetersstraat 11, 1018 WB Amsterdam, The Netherlands. E-Mail: mvdmeer@fee.uva.nl

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1. Introduction¹

The Dutch labour market performance is full of paradoxes. There exists general international recognition for the extent of job creation and the low level of unemployment. Employment creation, calculated according to the number of persons, has been 'markedly better' over the last decade as compared to most other Western countries, except the United States (OECD, 1998; EC, 1998). Younger people with modern skills and women entering the labour market especially benefit from the job creation, though more than two thirds of the net jobs created have been on a part time basis. The standardised unemployment level is currently 5.5% (449,000 persons related to an active labour force of 7.6 million), at the lowest level since 1981. On the flip side of the coin, there is a large share of long term unemployment in total unemployment, especially of younger people and ethnic migrants. Labour market participation of older people aged over 55 years is also low. Finally, there is the national dilemma of having more than 900,000 disabled persons. Meanwhile notices in the press at the moment of writing suggest that a shortage is appearing in some segments of the labour market, especially for skilled craft workers, nurses and information specialists, reaffirming the current labour market mismatch.

The literature argues that within the Netherlands, the vicious circle of welfare without work, a factor present in many western welfare states, was broken down over a period of less than two decades due to the application of continuous responsible wage-setting, and a change of policy institutions in the fields of social security and labour market policy. Visser and Hemerijck (1997) explain the adaptation of Dutch policy institutions through the concept of 'policy learning' under the conditions of corporatist wage-setting. In short, the main political leaders and spokespersons of interest associations for labour and management have gradually changed their policies in different fields in order to find an answer to international competition and the overburdened welfare state.

In this article, the whole process of adaptation will be reviewed, with particular attention not to national politics, but to the level of one particular sector of activity. The sector of construction will be studied because here job creation is in principle possible due to the small size of most firms; its project related work organisation of flexible specialisation and the occupational nature of its labour market. This text brings forward two main analytical contributions. First, as suggested by Streeck (1992: 31), the focus of the article will be on collective wage-setting in which trade unions and (representatives of) enterprises determine both the employment conditions and the economic performance in the domain of the agreement. Secondly, collective bargaining will be studied as a process and interpreted as a particular type of learning process for labour market reform in which, apart from information problems, social norms and political coordination are also important (Van der Meer, 1998).

¹ Comments by Linda Clarke, Chris Moll and Jelle Visser are gratefully acknowledged.

The relation between collective bargaining and positive labour market performance is far from obvious, especially since the rise of unemployment in the Western world from the early 1970s. I am particularly interested in evaluating whether collective bargaining favours the interests of insiders with fixed seniority positions over the interests of outsiders, who are looking for a job and prepared to accept work at a wage under the collective agreement. In economic literature, MacDonald and Solow (1981) argue that union wage demands in single-employer bargaining result in higher wages, inflation and unemployment, although the level is dependent on the preferences of unions. In the case of multi-employer bargaining at sector level, conclusions have been evaluated using research, which combines both variables on trade union organisation, the level of collective bargaining and labour market performance. Until the mid 1980s, a positive relation attached to the degree in which countries were organised along corporatist lines and the scores on Okun's 'misery'-index (Bruno and Sachs, 1985). The influential article of Calmfors and Driffel (1988) amended this view. These authors distinguish between three levels of wage-setting. National wage-setting (such as in the Scandinavian countries) and single-employer wage-setting at enterprise level (such as in the United States and the United Kingdom) lead, according to these authors, to the best employment results. Wage-setting at sectoral level (as in the Netherlands and Germany and the topic of analysis in this article) provides less well-defined results, since rent-seeking strategies of trade unions will maximise their incomes while externalising inflation. After severe criticism, especially by Soskice (1990), Rowthorn et al. (1992) and Calmfors (1993), the OECD (1997) argues that the relation between the level of collective bargaining and labour market performance has not yet been fixed.

Collective bargaining is a process of decision-making which contains in itself game-theory characteristics, in which interest associations will reach results dependent upon their preferences and institutional positions (Elster, 1989; Rojer, 1996). The existing literature is relatively unaware of the empirical relevance of the agenda-setting and change of preferences of trade unions and employers' associations. The problem of agenda-setting is perhaps more complex than the process of negotiation itself.² The question is how these preferences can be studied over a longer period of time. Robert Flanagan (1993) argues in his study of trade union behaviour that 'nowhere in economics have the objectives of an agent been modelled with less attention to foundations than in the study of unions' (Flanagan, 1993:10).

I will approach collective bargaining as a specific type of decision-making, where social learning takes place. The theoretical hypothesis presented here is drawn from ongoing debates in economics and the social and political sciences. In this paper, I will argue that modern neo-classical economics on collective bargaining

² Elster (1989) doubts whether the problem of agenda-setting can be generalised in a coherent theoretical framework. The problem is the large number of variables and the difficulty in abandoning the *ceteris paribus* clause. This point is also underlined by North, but is not answered by him: 'Preferences change, but we do not know how' (North, 1990: 84).

benefit from arguments from the sociological fields of 'social norms' and political theory in what I call 'political co-ordination'. To start with, collective agreements are seen as 'economic contracts' that serve as an efficient solution to the problem of market externalities, such as uncertainty about wage costs (Hicks, 1963; MacDonald and Solow, 1981). Here, I will combine the analysis of wage-setting with procedures of internal decision-making that reduce information costs (Flanagan, Moe and Wallerstein, 1994). I propose a two-folded addition to neo-classical theory.

The first argument is to include social norms into the analysis. Solow argued that in order to explain why wages do not vary with changes in demand and supply, theories accepted nowadays on efficiency wages, trade unions, and insider-outsider models should be enriched with social norms (Solow, 1990). The concept of 'social norms' draws above all on sociological research, and refers to the absolute and relative opinions and expectations of (groups of) people with regard to how they are expected to behave in work relations given their existing employment conditions. Social norms are sustained through the approval and disapproval of other people who share the same norm. Such norms are both implicitly and explicitly present in the individual employment relation between an employer and an employee, as well as in the decision-making process surrounding collective wage-setting (Elster, 1989; Swenson, 1989).

'Political coordination' is a concept that has been borrowed from the political science literature on neo-corporatism and political decision-making. The theoretical problem with interest associations is that their behaviour cannot be analysed in a micro-economic analytical framework alone, basically because processes of membership and decision-making are mixed up (Schmitter and Streeck, 1981). In this perspective, trade union organisations are political organisations: trade union leaders must win the re-election of their mandates and can have other preferences and wishes from those of the members. The organisational formation on the employers' side is even more difficult, since firms not only compete on the labour market, but also on the product market (Streeck, 1992: 105-136). This implies that in collective bargaining, rather than the application of any maximisation principle (Dunlop, 1944), the methods of decision-making should be the central topic of study (Ross, 1948: 18). The question is how decision-making should be studied? Political coordination focuses on the position of, and relations between, state organisations and interest associations that influence the regulation of labour in society. This concept captures both the 'hard' regulative role of the state and its 'soft' mediating role (Regini, 1995). The positions of these institutions vary according to the extent of state intervention and the degree of self-regulation by interest associations in the market process. Political coordination then refers to the ability of political and social actors to influence the regulation of the market process, which is facilitated by the government.

The importance of the concepts of economic contracts, wage norms and political coordination can only be estimated with empirical support from a historical perspective. In the study of collective bargaining, I have focused on the behaviour of collective interest organisations by asking whether the organisations representing

insider workers in the wage-setting process take into account the interests of outsider workers. In order to study this question I had to intensively study group formation and collective action in the process of collective bargaining. A related question was whether decentralisation of wage-setting process leads to the underprovision of collective goods, such as employment programmes, apprenticeship systems and vocational training. It will be asked which actors are responsible for the definition of the main targets for sectoral labour market policy, who delivers the means and instruments, and how policy was implemented in the Dutch construction industry over the period 1982 to 1998. The choice for a sector as the level of analysis has the advantage that the relation between the decision-making structure in the sector and economic performance can be studied (Schmitter, 1990). The outcome of the decision-making process is a time path with a certain chance structure for jobs, in a sector suffering from large and persistent unemployment.

The general question in this paper is: 'What solutions have interest associations in the Dutch construction industry found in answer to the situation of rising unemployment, how can these solutions be explained, and what is the learning effect of the solutions for labour market outcomes in the Netherlands and Germany?' The text will focus on the establishment and change in the sectoral employment programme 'Bouw-vak-werk' (Construction Trade Work) which was created in 1989. The initiative serves as an example to underline a more general argument on governance structures and economic performance from a comparative Dutch-German perspective. In the text, I restrict attention to economic contracts, wage norms and political coordination. I abstain from discussing other social norms such as work ethic, norms on cooperation, group effort and leadership etc.

The paper is organised as follows: In the following section I will introduce the construction sector; in section three I ask whether unemployment is a common concern; in section four I discuss some normative aspects; in section five political relations are introduced; in section six an experiment is explained; in section seven conclusions are drawn on 'Bouw-vak-werk' and in section eight some lessons for Germany are brought forward.

2. Interest representation in the Dutch construction industry

The construction industry is important in terms of production and employment in the Dutch economy, covering different branches of activity, especially the building industry (the construction of dwellings and offices) and civil engineering (the construction of roads, railways, dikes, water infrastructure). In addition, there are related branches such as the installation sector, the supply industry, the architects and advisory consultants. The volume of production and employed labour force varies over the years. Since the Second World War, building labour has first expanded to a maximum of 409,000 in 1979 and a decline to 285,000 in 1983. In the early 1980s, unemployment in the sector rose sky high (see below), whereas also other exit mechanisms from the labour market such as early retirement, disability and out-flow to other sectors have been used. Currently, some 449,000 people work in 19,000

firms. About 99% of all firms have less than 100 employees. The vast majority of the workforce is men working full time. The number of ethnic migrants and women in the sector is very low. Moreover, similar to Germany, the number of unskilled workers has declined.³ In the Netherlands, in contrast to Germany, no 'Handwerksrecht' (a law governing the trades) exists, whereas competition law has been liberalised in 1996. It should be added that construction firms have changed their recruitment strategies. In the 'quasi-firms' (Eccless, 1981) of the construction sector, general contractors coordinate and manage the work process and consequently contract out most of the executing work to smaller specialised subcontractors. In the latter category of firms, a rising section of employment is concentrated. Finally, unlike in Germany, the number of illegal foreign workers is low, while the category of the self-employed is growing in importance indicating the increasing flexibilisation of labour (Clarke and Wall, 1996: 49).⁴ In the mid-term, notwithstanding economic growth, the employment level in the construction industry remains constant, due to the introduction of labour saving pre-fabrication technologies. As a consequence, the position of the skilled workforce is relatively stable, most work on a full time basis under permanent labour contracts. In Table 1., some statistics are compared for both countries.

Table 1. Labour market statistics in Germany and The Netherlands (1997)
(Source: OECD, Labour force statistics, 1977-1997)

	The Netherlands	Germany
Wage earners in construction (1997)	385,000	2,984,000
Civilian employment in construction (1997)	449,000	3,304,000
Total labour force (1997)	7,673,000	39,602,000
Total number of unemployed (1997)	423,000	3,863,000
Standardised unemployment rate (%) (1997)	5.5%	9.8%
Gross value added/ employee in construction (ECU/ 1992) (*)	35,100	37,500

(*) EIB, 1995:44.

In the Dutch construction sector, there are different patterns of interest organisation and representation. Dutch employers' associations and unions are addressed as 'social partners' or 'social parties'. The construction unions, the socialist 'Bouw- en Houtbond FNV' (164,000 members) and 'Hout- en Bouwbond CNV' (40,000 members) are well organised with an average membership of 40%, which exceeds the 28% national average (data: 1997). This rate is the consequence of an institutional characteristic in the sector, whereby the unions until 1997 had a personal

³ See Clarke and Wall, 1996, p.46-47.

⁴ From 1987-1995 the number of self-employed people rose by 65% in the whole construction industry (excluding the installation branch). The labour volume of the self-employed as a whole includes 54,000 full time equivalents, nearly 14% of the labour force in the sector. The self-employed earn about 4-5% of the total turnover (EIB, 1998b).

delegate in the execution of social security schemes (for unemployed, sick people) at local level, which facilitated membership recruitment (see also Rothstein, 1992). In addition, there are several smaller unions for machinists and for staff personnel that are not considered.

Enterprises are well organised in informal co-operative circuits and in many different employers' associations. Van Waarden (1989) counted 220 different trade and employers' associations at national and regional level (data 1980). Now, as the result of a process of amalgamation and scale enlargement, there are in addition to many trade associations, 30 distinct employers' associations (Jaarboek SFB, 1998). Within the sector three umbrella organisations are to be found. Eight of the employers' associations of main contractors are affiliated to the Federation of Dutch Contractors' Organisations (AVBB).⁵

Wage-setting within the construction industry in the Netherlands (as in Germany) is an issue of nation-wide sectoral bargaining. Trade unions and employers' associations (bi-) annually bargain over wages and employment conditions. Agreements are extended by erga-omnes clauses, which means that non-organised workers are also covered by the agreement. In the Netherlands, collective bargaining has been publicly protected since 1927; its provisions are routinely extended to non-organised firms by the Minister of Social Affairs and Employment. In the Netherlands today collective wage-setting occurs free of government intervention, although the Wage Act of 1970 (changed in 1987) permits specific wage-freezing measures, in the case of significant economic decline.⁶ Contrary to Germany, at national level in the Netherlands, joint institutions (the bi-partite Foundation of Labour and the tri-partite Social Economic Council) offer a platform for consultation and agenda-setting for the renewal of public policies. Since the Wassenaar Agreement (1982) signed between central employers' and employees' organisations, wage-setting has been decentralised in a process of 'controlled decentralisation'. The important role of government in the formulation of the basic framework of the labour market should however not be underestimated. In recent years in particular the criteria for access to sickness and disability funds have been restricted following a parliamentary inquiry on the abundant (mis)use of these programmes (see Buurmeijer, 1993; Zeijen, 1993). More recently, several social security provisions have been privatised, laying responsibility for sickness leave with the individual employer.

In the construction sector, there are 11 collective agreements in different domains. Perhaps the most important is the collective agreement for executive

⁵ Additionally there are two smaller umbrella organisations for subcontracting firms, i.e. FAANB and CONGA. In February 1999, an organisation for self-employed construction workers without personnel was established. These organisations do not play a role in the present discussion.

⁶ In case of significant economic decline, the government may threaten a wage freeze to a maximum of two times six months.

manual workers in the construction sector, which covers 150,000 workers in both building and civil engineering. Supervisory, technical and administrative staff personnel (40,000 persons) in building and civil engineering have their own collective agreement. Separate collective agreements also exist for painting, finishing and glass workers; natural stone workers; wet grind dredge personnel; mortar transport workers; plasterers; plumbers, fitting and heating personnel; roofing workers; and dredge personnel. With regard to foreign construction workers under the Posted Workers Directive, the Dutch collective agreement has to be applied after one month (see Eichhorst, 1998).

In the Dutch construction industry, probably more than other industrial branches, market-like criteria have always regulated wage formation and labour allocation. Already in the 1950s and 1960s, decades famous for their strong state-intervention in Dutch wage-determination, wages in the construction industry exhibited fluctuations far above average and frequently went beyond the government-prescribed range.

Self-regulation and industrial self-government in the construction industry have always been very strong. Both unions and employers' associations take part in sector specific bi-partite organisations with self-regulating collective funds. These funds are financed by enterprises and workers themselves, the total balance-sheet amounting to the enormous sum of 100 billion Dutch guilders. Currently there are collective funds for social security, pensions, holiday, temporary winter weather lay-offs, voluntary early retirement, health and safety, vocational education and training, research and development, general policy consultation (Bouwberaad), and also employment policy.

3. Rising unemployment: a common concern?

During the early 1980s, unemployment in the Netherlands rose faster than in other western countries (Therborn, 1986). In June 1984, the Building and Wood Union FNV initiated a new sectoral approach for labour market reform. Although not the first initiative, the report served as a catalyst. The trade union proposed the 'regulation of the entry stream of employees into the sector'. This regulation is not meant in terms of 'restriction or selection', but as a form of 'steering' (FNV, 1984).

The proposal estimated that there were 75,000 unemployed in the construction sector alone. The union evaluated many policy initiatives current at the time. In line with the so-called 'Wassenaar Agreement' (1982), in which the social partners at national level had decided to exchange labour time reduction for benefit restoration, the construction union pleaded for a reduction in labour time. At the same time, it noted that a substantial reduction in labour time (of 5% in 1985) would only be sufficient as compensation for employment loss due to productivity increases. Policies attempting to reduce overtime, the increase of additional holidays, or a reduction of early retirement to the age of 60 years would not be sufficient to bring

the 'army' of unemployed workers (among which 46% were for a period longer than one year) back to paid work. According to the union, two main alternatives prevailed.

First, the exit from the construction sector to other sectors should be encouraged. The union argued that construction workers can be trained for administrative work within the construction industry, or be placed in jobs outside the sector. In addition, the age for early retirement should be lowered to 55 years. For the union, an unemployed person of 56 years old is a different case from an early-retired person of the same age, the latter belonging to a more acceptable category (with better financial conditions).

Secondly, and more importantly, the construction union pointed to a specific population of long term unemployed who might execute additional construction work. This fitted well into the traditional idea of Keynesian investment in infrastructure and city renovation that until 1983 was official government policy. The contribution of the report by the construction union was to define specific criteria for these target groups. Those unemployed who are out of work for more than one year, those older than 40 or 45 years of age, and those willing to receive additional training when needed, should be registered, in order to get insight in the nature, regional spread and skill competence of these categories. This system of screening and giving access to the sector should be administered in a bi-paritarian system, conceivably with help from the regional employment office. As such, the construction union FNV introduced a distinction in categories of unemployed. This represented a revolution in the trade union movement.

No response to the FNV-report was made before November 1984. Then, the smaller CNV-union supported the initiative of FNV to develop a vision to reduce the 'gigantic unemployment' (CNV, 1984). In contrast to FNV, it considered itself unable to indicate the level of unemployment since 'nobody knows to what extent unemployment is of a conjunctural or structural nature'. The trade union added that it was also 'hazardous from a social and tactical point of view' to mention the number of 75,000 unemployed, since this would be particularly demoralising for the currently large amount of unemployed craftsmen. It might also have a negative effect on the government, which had different perceptions on how to increase investment to create jobs.

The CNV argued against being too pessimistic since the conjuncture would straighten out again. It proposed four arguments, in line with those of the FNV. The union encouraged Keynesian investment politics, additional training for those needing it, the expansion of early retirement, and research on the regulation of the influx into the sector. Like FNV, the CNV favoured demanding clear requirements on skill competencies from workers.

The employers' association AVBB made known that it discussed in its own circles 'drastic and non-habitual measures' against the unemployment problem. It did not totally agree with FNV, but supported a mutual approach. In contrast to the union, the AVBB distinguished between two definitions of structural unemployment. The

first isolated structural unemployment as being the difference between the trend (or average) employment and the available labour supply. The AVBB opted for a second definition that started not from the average level of employment, but from the maximal level of employment (at the time of a high conjuncture). Structural unemployment is, in this case, maximal employment (at high conjuncture) minus labour supply. This definition prevailed since the employers perceived scarcity and wage increase in the labour market as unacceptable.

The employers subsequently estimated structural unemployment for the year 1989 (i.e. five years later) at 50,000 to 55,000 persons (irrespective of their skill levels). If the government and social partners were to stimulate construction investment, unemployment would decline to 15,000. For job seekers, an additional labour market policy was needed. Therefore, the AVBB wanted to know both the composition and skill levels of the unemployed, and whether or not they every now and then undertook concrete construction work. Qualitative aspects were seen as especially important, since 'in their decided opinion, a closer evaluation of the files would make clear that only a restricted number of people could be classified as a real part of the labour force of the sector on the basis of education, length of service, and personal characteristics' (AVBB, 1984: 4).

4. Social norms put at a test

Both trade unions and employers' associations supported the idea of a common sectoral approach to unemployment. The employers agreed with the unions that the regional public employment service, though being the 'first proper instance', was not capable of handling the matter. The employers proposed in line with the trade union, to establish 'teams for judgement', composed of individual employers and workers representatives, to make the files in the Public Employment Service transparent. Subsequently, they sought to influence the intermediation and allocation of the unemployed via a newly established organisation. In cases where training was required, the government should be responsible, although the sectoral training institutes should remain in the hands of the social partners.

However, the organisations diverged in their views regarding how large unemployment actually was, and for what unemployment categories an initiative had to be taken. The employers proposed to distinguish between the 'real labour stock' and those unemployed who more or less 'by coincidence' were registered as unemployed craftsmen in previous times, who had -due to the then overstrung labour market- found a construction job but could no longer be conceived as part of the real labour force in the sector. The employers denied any responsibility for these other categories whom they considered should be placed under state supervision. It sought to take responsibility for three categories of unemployed whom, in short:

1. Had some degree of vocational training, gained under the auspices of social partners in the sector;

2. Had undertaken work, at the time of becoming unemployed, that was essential and recognisable as part of the building process, for a period of five years without interruption;
3. Had performed work, over a period of 15 years prior to current unemployment, at least ten years under similar criteria as to those in point two above.

The employers' association restricted its focus to the unemployed meeting the requirements, whereas the unions wanted to defend the interests of all unemployed construction workers. The sector abstained from responsibility for national unemployment, which they believed is under the responsibility of government.

There were also normative differences in the required instruments. The employers argued that the trade unions have unjustly failed to address the 'current high wage level'. This was an important argument since unions have some normative principles in wage-setting, which include in the Netherlands, among others, the need for automatic price compensation, an equal wage increase for all workers, and no application of productivity wages (For Germany, see Swenson, 1989).

In addition, the employers' association anticipated that for the target group particular 'policies for elderly people, part time work, and even a general labour time reduction' would also be needed. On the other hand, they were of the opinion that the 'total force should be reduced, for example by not replacing the natural turnover, or via an active retraining programme' (AVBB, 1984; 7). Moreover the employers claimed, in contrast to the unions, entry thresholds based on an obligatory (medical) test and a test for career choice. They stated that early retirement at the age of 55 years is too drastic and too expensive. The employers argued for a structural decline in labour capacity, and did not want to support trade union proposals for Keynesian investment in construction projects, which might lead to undesirable substitution of regulars by additional construction work.

5. The political coordination in the sector

The reports of FNV (June 1984), CNV (November 1984) and AVBB (November 1984) were discussed in a special meeting of the 'Bouwberaad', the paritarian sectoral body for strategic consultation and deliberation, which was established in the late 1970s. In December 1984, a specific bi-partarian working group composed of FNV, CNV and AVBB, under the chair of a personnel director of a large construction company, received the order to develop a sectoral policy approach. From that moment, the construction sector began its own policy approach, in which the rank and file of the employers' and trade union associations had the final vote. Of particular relevance was the division of labour between the work of the commission (regarding personnel staffing in the sector) and the collective bargaining processes in the sector (where costs contained in labour time reduction and early retirement were dealt with). In turn, the commission could build upon sectoral research on qualitative aspects of the unemployed (EIB, 1986) and national

discussion on the future of the public employment service (that was changed in 1991) (SER, 1985).

It took a full year for the commission's proposals to apply 'exactly formulated criteria for the determination of the extent and composition of the real labour force'. In addition, the commission proposed to develop a sectoral policy for 'training, pools and labour intermediation'. Finally, the commission suggested to match demand and supply by controlling access via a 'letter of inscription' in a General Construction Register (ABB) and via training of employed and unemployed workers who met the necessary requirements. The criteria for access corresponded to the proposals of the employers' association: a rounded skill formation, 5 years of continuous work experience, or 10 out of 15 years work experience. On the basis of EIB-research, an additional criterion for younger people under 25 years was added: younger people who had terminated primary vocational education in construction were also allowed to take part.

In other words, the Commission chose to give priority to the real labour stock, to become active in the matching of supply and demand, to train those unemployed who met the necessary requirements, and to apply for a medical test. This system was believed to contain advantages and obligations for both sides. The employees would have the advantage of an improved chance to obtain work, given the active matching. The unemployed would have the opportunity of additional training. They would have to accept both training and work when available. For employers, the advantages included a sufficient supply of skilled labour, more flexible staffing and an improved relationship with the Public Employment Service. As a *quid pro quo*, the employers were required to announce any vacancies and to give priority to the unemployed within the ABB-system over those outside the system.

By early 1986, the common agenda was full of complexity. Questions at stake included: At what (national, regional, local) level should the new structure be erected? What registration and intermediation procedures should be developed? How should the training of the unemployed be organised? Should pools for the unemployed be created? What should be the material compensation for those in the target group? In the Bouwberaad meeting of March 1986, some fundamental differences again emerged. The trade unions wanted to take responsibility for all unemployed in the sector (where they added in their text 'for the time being' restricting their attention to a specific group given the extent of the problems), the employers' association explicitly wished to restrict the analysis to those meeting the criteria. The employers did not want to talk anymore on the 'remaining category', since this might 'emotionally arouse resistance, which may restrict the realisation of the proposals'. All these points continued to be under open discussion. First, however, the government and the employers' association for subsidiary work (FAANB), which until then had remained outside the discussion, now were also consulted.

The FAANB was invited to join as a member of the Commission Structural Unemployment, under the strict condition that the establishment of the collective

agreement (on wages, hours etc.) 'is provided to partners', as it is referred to within the sector. From now on, FAANB basically fulfilled a role in extending the initiative from the building and infrastructure sector to other branches within the construction sector.

The consultation with the Ministry of Social Affairs and Employment was crucial for two reasons. First, the possible introduction of a sectoral distinction between a 'core labour force' and an 'additional labour force' would confront the government with a large stock of unemployed who were far removed from labour allocation. In the event that other sectors would also follow the initiative, the government would be compelled to fulfil the function of 'broomwagon' for the least qualified job seekers. Moreover, the question remained of whether the Public Employment Service should give up its monopoly on labour market intervention (a plan that at that time was not yet under discussion, but was effectuated in 1998). Especially, the government believed its own plans to decentralise the labour service (which was foreseen for 1991) were jeopardised.

Secondly, the consultation of the government was crucial for the delicate issue of the general extension of wage agreements. This was a relevant point since FNV, CNV and AVBB have a substantial rank and file, but are anything but fully inclusive. General extension of collective agreements was needed to cover all firms. In addition, the relevant question remained what type of labour market would ensue once the new structure had been established. In theory it was imaginable that the social partners would establish a kind of closed shop, by regulating access and wages for all workers. This system was however totally unacceptable to both employers and government. A second alternative was a labour pool, for training, temporary work, and a permanent pool of unemployed similar to the ones already existing in the ports of Amsterdam, in the metal industry and in some regions in the construction sector (The Hague, Rotterdam, Groningen). In principle, the government was willing to support the idea of a labour pool that would not disturb the ordinary allocation process. The government also promised to extend the labour market reform to non-associated firms, on the condition that the labour reform would be incorporated in a collective agreement.

6. The reduction in the information problem

After these first years of deliberation, the general idea had to be implemented. From March 1987 onwards, the sector initiated an experiment in two Dutch provinces, South-Holland and Friesland. The Commission for Structural Unemployment changed its name in the more positive 'National Commission for Training, Employment and Labour Market'. Many meetings took place on conceptual, organisational, and secretarial aspects, as well as a plan for publicity. Of relevance was the issue concerning whether the new intervention structure should relate to the Dutch provincial structure or to the metropolitan structure of the Public Employment Service. Procedures and testing criteria should be developed to classify the unemployed. The announcement of vacancies and the functioning of the

intermediation should also be developed to circumscribe rights and obligations for firms, employees and those unemployed to undergo tests, training and work experience. All these issues were to be fixed in an annex to the collective wage agreement.

At the level of the local Public Employment Service, small tri-partite commissions were created, made up of one representative from the unions, one employer, and one civil servant. The objective of the commissions was to invite all unemployed craftsmen for an interview in an effort to select and register them. The commission also linked job seekers to construction firms and training institutes. The responsibility for training remained in the hands of the sectoral vocational training institutes, which developed specific tests and additional training programmes for those meeting the criteria. The Public Employment Service retained its responsibility to determine labour market programmes for the remaining unemployed.

One of the most important problems was how the commission would deal with the problems occurring, such as non-response, practical use, the objectivity and validity of the criteria, and evaluation in case of doubt for example, should the commission's opinion not be unanimous. The work of these 'street level bureaucrats' is difficult to evaluate, but it seems that not only 91% of the candidates were accepted into the ABB-register on the basis of objective criteria, but an additional 9% was allowed into the sector on the basis of reasonable arguments.

The results of the experiment are illuminating. Of the 4,462 unemployed interviewed, 3,302 (74%) were allowed directly into the sectoral labour force, some directly on the basis of criteria, others on the basis of an interview.⁷ In the media, the president of the regional employers' association in The Hague, who was involved in the experiment, argued that 'most of the unemployed cannot be turned into craftsmen'. For the CNV-union however, this was 'premature' and 'demagogy' since the unemployed might still be brought into a job (De Opbouw, May 1987). Half a year later, the final results were published: 'Only a quarter of the unemployed construction workers are prepared to undertake a job in the sector, 50% do not want to or are not prepared to execute work in construction, the last quarter is already working, but is not deleted from the files of job seekers'. The employers now gave a much more modest comment: 'a moral obligation rests on the sector to treat as priority those people who take part and are loyal to the lead of the sector' (NVOB, June 1988).

The outcome of the experiment encouraged social partners to introduce the 'Bouw-vak-werk' program on a national scale. The National Commission for Training, Employment, and Labour Market formulated some compromises, but FNV and AVBB still disagreed. The employers sought to remove the distinction between

⁷ Of the 1,160 (26%) persons not allowed into the ABB-register; 26% did not appear in the interviews; 39% did not belong to the construction work; 8% did not want to be tested; 14% did not have sufficient skills; 10% were incapacitated due to medical handicaps or an age over 57.5 years; 4% had another job or were studying.

those inside and outside the 'real force' to settle the 'prevailing opinion of the construction sector with the large pool of unemployment'. The employers supported training and work experience projects, which would conceivably be organised in a paritarian setting. For them, a 'closed shop' was however not acceptable, since it would give the workers a too strong position. Finally, the employers persisted in requiring a medical test, motivational aspects, and penalties in case of unwillingness by the unemployed to follow the indications of the tri-partite local commissions.

The FNV stuck to its position of insisting that 'subjective criteria' (physical suitability and motivation) could not be tested. Moreover, it kept responding to the additional groups of unemployed not meeting the criteria. In addition, the unemployed should receive the right to a job. The trade union also argued that at local level, the allocation of job seekers should be procedurally regulated and companies failing to announce vacancies should be punished accordingly.

All these issues were agreed upon in a compromise of the National Commission including the exact definition of the objective and subjective criteria, the eventual application of sanctions to unwilling employees and firms, and the concrete rights of persons allowed to participate in the scheme. Finally, the new system was to be financed and juridically anchored with respect to the relationship between the Public Employment Service, public training centres, sectoral organisations, and the sectoral training institutes (February 1989). The 'soft' mediation was translated into two types of 'hard' agreement. First, employment conditions for participants in the 'Bouw-vak-werk' initiative were incorporated in the collective agreements between the unions and the employers' association. Second, the relations between the sector and the Public Employment Service were laid down in a covenant with the Directorate General of the Ministry of Social Affairs and Employment. It was decided to participate in the 'decentralisation', 'tripartisation' and 'demonopolisation' of the Public Employment Service that was foreseen in 1991. 'Bouw-vak-werk' would have a small national headquarter and nine regional offices. These institutions were bi-partarian in nature with an advisory role for state officials. At the level of the individual Public Employment Agencies, tri-partite commissions were established. These commissions were to invite the unemployed for an intake and to advise on their classification to determine whether or not they qualified for training and work experience projects. The unions and employers' representatives in the commissions took the decisions, the state official played an advisory role.

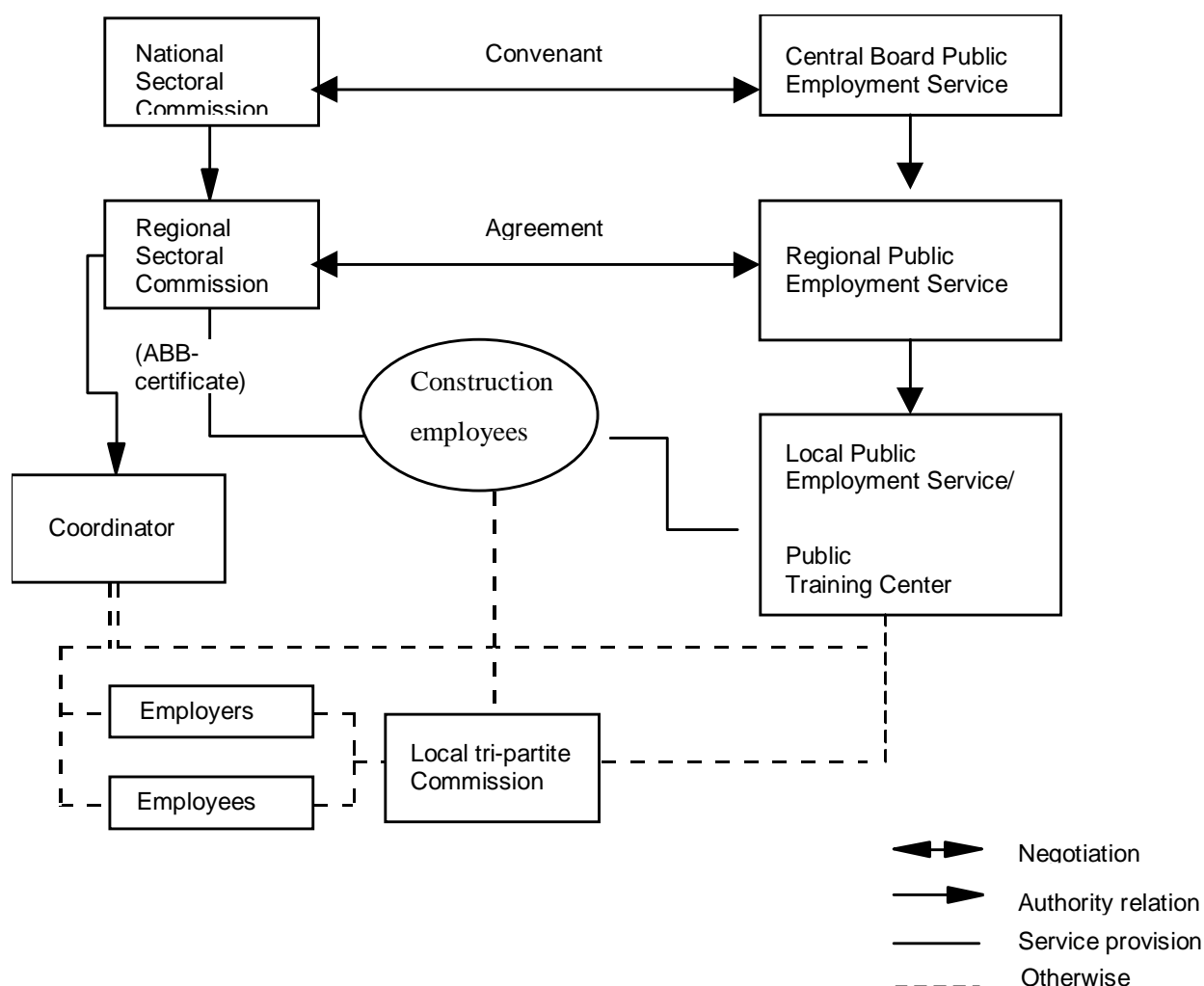
On May 25th. 1989, the 'Bouw-vak-werk' covenant was underscribed by the employers' associations AVBB and FAANB, the trade unions CNV and FNV, and the General Directorate for the Public Employment Service. In Figure 1., the new structure is described. The covenant covers four collective agreements: the construction sector, administrative personnel, painters, and natural stone. The projects began January 1990 with three concrete tasks:

1. The trade unions and the employers sought to determine the exact extent of the population of workers by application of four criteria (five year of uninterrupted work experience, 10 out of 15 years work experience, a training qualification, and for

younger employees -those under 25 years of age- an initial qualification in vocational education). Moreover the commission was allowed to take unanimous decisions on the motivation and physical suitability of candidates for access to the scheme. Moreover a 'general excuse' was permitted during a transition period for all construction workers who between March 1990 and May 1993 had undertaken construction work for at least one day. Additionally, through collective bargaining the trade unions successfully demanded some material advantages for those in the ABB-file. The unemployed within the system had priority in being matched to a job, had priority in training and received an additional social unemployment benefit (80% instead of 70% over eight weeks).

2. The trade unions and the employers' associations aimed at the development of training, pooling and active matching of those long-term unemployed. These plans were added in a special protocol to the different collective wage agreements. For example, in the agreement for construction workers, 2,000 places for training and work experience were granted. These places were established for both those unemployed within the labour force, and those with exceptional motivation. In 1990, 1992, 1993 and 1995 moreover, specific training programmes for target groups, such as for women, ethnic minorities and handicapped people were initiated.

Figure 1 The relation between 'Bouw-vak-werk' and the Public Employment Service
Source: Bouw-vak-werk



7. Perspectives for 'Bouw-vak-werk'

We have seen that when in 1983 the Keynesian investment programme in the Netherlands stopped, in the construction sector within a short time an active labour market programme was started to resolve the problem of excess unemployment. A trade union threw the first stone in the pond, the ripple-effect proving advantageous for the employers. 'Bouw-vak-werk' as a labour market instrument is particularly relevant in the discussion on collective wage-setting and labour market performance. In answer to our general research question, it seems that the agenda-setting and decision-making process regarding labour market instruments are indirectly linked to negotiations on hours and wages, since the parties involved in collective bargaining determine the task and the composition of the Commission for Structural Unemployment. The subcontracting firms and government were not invited to take part before 1986. The experiment in Friesland and South-Holland remained under the responsibility of these parties.

The 1989 'Bouw-vak-werk' covenant is warmly welcomed in the sector. The president of the FNV union considers 'Bouw-vak-werk' to be a new 'pearl' in Dutch

labour relations and the Minister of Social Affairs and Employment, De Koning, expects a 'substantial decline in unemployment'. The employers' president of the National Commission argues that in 1989 unemployment remained at almost 'nil' (all quotes in Gruisen, 1996). In a recent evaluation, the sector itself concluded that 'Bouw-vak-werk' is nothing short of successful: 'it has improved knowledge on supply and demand in the short and the long run; it acts upon labour market mediation; agreements with municipalities have been created on labour market and work experience projects; the execution of job programmes was formulated in collective agreements; subsidies for training and job projects were used; forecasts on the preferred flow into the construction sector were made; and it affected the training capacity of the Public Employment Service' (Hartveld, 1998: 75).

Other evaluation studies are however less positive. For the Public Employment Service, the market share in labour market allocation increased only modestly.⁸ The same evaluation study concluded that only one fifth of employers in the sector was acquainted with the ABB-certificate, and only 58% were of opinion that this certificate was of any use, since it does not offer any guarantee for selection and workmanship of workers. Also the pooling, foreseen in the second task of 'Bouw-vak-werk', perished in its implementation and many vacancies are not mentioned at all. Finally, the chances for ethnic migrants and unemployment to find paid work have not increased (CBA, 1995).

The suggestion implied in the above-statements by the leaders in the sector that unemployment has been lowered due to the 'Bouw-vak-werk'-programme is also not correct. It is not 'Bouw-vak-werk', but statistical definitions that determine the extent of unemployment, whereas the expanding economic conjuncture in the late 1980s and other labour market instruments such as labour time reduction and early retirement, helped to overcome the problem of unemployment.

In the early 1990s, within the construction sector too, criticism was heard. Trade union cadres asked whether it was worthwhile to continue with expensive training programmes when the results were proving so meagre.⁹ However, the trade union leaders defended the significance of the 'Bouw-vak-werk' as a possible example of the 'job before wages' norm identified in the national confederations of FNV and CNV. Also, within employers' circles, the bureaucracy of the matching system and the 'undesirable' collectivisation of the sector felt under criticism. Subsequently, 'Bouw-vak-werk' changed within the turbulent waves of revision in Dutch social security and labour market policies in the 1990s. In December 1995, employers

⁸ The market coverage (number of vacancies announced relative to the total number of vacancies) increased modestly from 31% in 1991 to 37% in 1993; the fulfilment quota (the number of vacancies fulfilled by the Public Employment Service relative to the total number of vacancies) grew from 54% in 1991 to 59% in 1993; the market share (market coverage multiplied by the fulfilment quota) rose from 17% in 1991 to 23% in 1993, while being somewhat higher in the construction sector than in other sectors (CBA, 1995).

⁹ In the period up to 1995, 2,639 candidates were invited to be part of this new system, of which 1,620 persons actually started to receive training.

proposed to relate the 'Bouw-vak-werk' to the new structure for social security in the Netherlands (AVBB, 1995b). This idea was executed in 1997, when 'Bouw-vak-werk' was formed into a new 'sector council' for social security and active labour market policies. Employers' associations and trade unions further developed a 'one counter policy' to obtain scale advantage and cost reduction.¹⁰ Their policy is to continue with the tri-partite local commissions, but to whittle down the overloaded top-structure, in order to achieve optimal personnel facilities for firms as well as optimal work security for employees.

8. Lessons for Germany?

The establishment of the 'Bouw-vak-werk' program in the construction industry was the result of a long process extended over many years in which the essential conditions for labour market performance were discussed. On the basis of the evaluation studies, we conclude positively that social partners have attempted to improve the position of both insiders and outsiders in the construction work force. On the other hand, the setting up of 'Bouw-vak-werk' illustrates how slow policy change is effected and how modest the results may be. The argument here, however, goes beyond the development of labour market policies. In answer to the second part of the general question of this paper, I wish to draw five comparative conclusions from a Dutch-German perspective (see also CPB, 1997).

First, the establishment of 'Bouw-vak-werk' underlines the relation between governance institutions and economic performance. In Dutch politics, in contrast to German, several extra-parliamentary institutions operate, such as the tri-partite Social Economic Council and the bi-partite Foundation of Labour at national level, and the Bouwberaad at sectoral level. Within these consultative institutions, social partners have created opportunities for information exchange. During meetings, social-economic developments are discussed, while at the same time building a database of relevant facts and figures. Meanwhile, members share concerns, opinions, thoughts and policy ideas. This results in common general knowledge on the social-economic situation and extends theoretical positions in relation to strategic choice. As a consequence, the economic situation (including questions on whether or not unemployment is a growing concern), is no longer a point of discussion in collective bargaining, whereas alternative strategic policies have become a topic for negotiation. For example, the origin of the 'Bouw-vak-werk' initiative is not only politically embedded in the consultation economy, but also serves as an example of how different bargaining arenas relate to one other. When in 1985, for example, the National Commission was confronted with a stalemate in collective bargaining on labour time reduction, decision-making regarding 'Bouw-vak-werk' did not stop, but

¹⁰ This is a last irony since even in 1988, during the set-up of 'Bouw-vak-werk', this was under discussion (MinSZW, 1988), but was then vetoed by both the employers' associations who didn't want to connect the social security and labour market policies files, and the trade unions who were against eventual sanctions on job seekers.

was only postponed. The 'super structure' in the sector (De Vilder, 1990) enabled negotiations to become efficient and initiatives to continue to receive a green light. As Streeck has argued, the establishment of a consultative platform is precisely the function that a new German 'Bündnis für Arbeit' may fulfil, a forum where social partners can talk and anticipate the needs for external adjustment (quoted in Giebels, 1997, see also Visser, 1998). In the event that such a new consultative podium is created, legitimate results will only be obtained in the longer run, since participants will have to know each other well, by meeting regularly and sharing constructively alternative policy strategies. In addition, a legitimate basis for the 'soft' mediating aspects of political coordination, will be dependent on the representativeness of the participating organisations and concise evaluation of the implementation of new ideas.

A second comparative point derives from the above argument on political coordination. A joint initiative of social partners generates a learning effect, with interesting unintended consequences for policy. In the paper, we have seen that the effects of 'Bouw-vak-werk' are moderate, primarily because recruitment processes of construction companies do not change in spite of the labour market reform. We therefore conclude that the labour market in the construction industry operates according to different principles than those that were initially believed. So, the whole 'Bouw-vak-werk' initiative ruthlessly uncovers above all the impotence of the Public Employment Service state monopoly. 'Bouw-vak-werk' has thus come to represent a government failure. This conclusion may be hypothesised to be true too for the German Public Employment Service, judging from the available literature on the German construction sector that points to the existence of informal networks of recruitment (Jansen/Hochstadt, 1998). In addition, this does not imply that the construction sector does not continue to favour close relations with the state, especially in demanding public investment and the general extension of collective wage agreements. For this reason, 'Bouw-vak-werk' was adapted to the new government's labour market structure in 1991. Yet, 'Bouw-vak-werk' while executing public tasks, includes an unforeseen consequence. The social partners in the sector have become aware that mutual commitment, knowledge and basis among their rank and file, are necessary conditions for institutional change to prosper. Considering that in the near future the Dutch Public Employment Service will be further dismantled (as is now a government proposal, see parliament nr.26,448, 1999), social partners will have sufficient learning experience to bring new common policies to successful fruition.

Thirdly, the 'Bouw-vak-werk' experiment underlines the importance of and change in social norms. The social partners have continued 'Bouw-vak-werk' in spite of initial normative disagreements. Following five years of discussion, the participants themselves agreed to base their cooperation upon 'the acknowledgement of each other's insights, capabilities, opportunities and rights' (Press notice, 1989). This agreement directly refers to the literature on neo-corporatism in which social partners mediate their interests and accept the other actor as a bargaining partner with

the intention of resolving mutual problems (Schmitter, 1981). These patterns are present in both the Dutch and German construction industry, where in the 1980s social norms were oriented to equal income distribution and the collectivisation of social funds (for Germany, see Matthes, 1993; Swenson, 1989). Also the 'Bouw-vak-werk' is organised according to collective principles. Today, this initiative has, among many others, become famous as an example of the 'jobs before income' norm. This normative attention to employment growth has over time produced mutual trust between social partners. In the National Commission, participants have learnt to compromise. The debate on 'Bouw-vak-werk' encouraged a debate on the rights and obligations of the unemployed in the 'real labour force' and in the 'additional labour force'. Employers did not want to be dependent upon the 'Bouw-vak-werk' programme (which did not happen). Trade unions wanted firms to acknowledge their vacancies, a 'financial compensation' for those in the ABB-force, and an 'obligation for effort' by way of training and work experience (all factors were allowed). The last point of dispute refers to the subjective evaluation criteria (here it was decided that the local commissions are allowed to take unanimous decisions). The general point to be made here is that the adaptation of social norms cannot be treated exogenously, but is a product of a bargaining process. 'Wage norms' change in the direction of 'job norms' in accordance with the interests of non-working categories, as it seems in the Netherlands, under the conditions of both centralised coordinated wage-setting and the participation of the unemployed in decision-making within the trade unions. As a consequence, the 'job before wages' norm has emerged and social partners have succeeded in initiating some solutions to the mismatch in the labour market.

Fourthly, the outcomes of collective wage-setting should be related to job growth and the competitiveness of economies. In the Netherlands, the government tries to convince social partners to 'moderate' wage costs in order to enhance employment, international competitiveness and to link equally the development of social benefits to wage levels in the market sector. Social partners prefer to discuss 'responsible' wage-setting to meet common goals. Since 1982, they exchange benefit restoration and job growth at a decentralised level, while at the same time they have asked the government to throw off the wage intervention yoke. After the recent central bi-partite agreements in the Foundation of Labour, 'A New Course' (1993) and 'Agenda 2002' (1997), the associations of employers and employees have reaffirmed these principles. As such, there is a trend for industry-level agreements to include, in addition to wages and working hours, qualitative issues regarding differentiation and tailoring to individual employment conditions, such as training, care, labour conditions, flexible opening hours etc. Now it appears that Dutch wage-setting has on average lower wage costs and better employment growth than the German. Although figures are incomplete and wages vary per firm, available studies report that gross labour costs (including taxes) of 20.3 ECU in Germany exceed the Dutch 15.8 ECU (EIB, 1995: 37). Gross pay in the highest wage category is 14.15 ECU in Germany compared to 10.07 ECU in the Netherlands (EFBWW, 1995: 9-10). As was shown in Table 1, labour productivity is about equal in both countries. Does

this imply that the Dutch economy is then more competitive than the German economy? This still has to be proven, since Dutch construction wage agreements also come at a price, and, according to many companies, are too extended (AVBB, 1995a). Indeed, the cost of construction labour over the last twenty years has risen relatively quicker than in other Dutch sectors (EIB, 1994). Moreover, the lowest wage schedule within the construction agreement was until 1995 40% above the legal minimum wage (when the government requested the inclusion of an entry scale just above the minimum wage level to enhance job creation for lower skilled people). The 'wedge', indicating the difference between gross labour costs (including social taxes) and net salaries, comprises 32.2% for an employer and 12.9% for an employee. In this percentage, the 14.9% contribution for the sectoral collective funds has been included (Van der Meer, 1998: 204). These indicators bring up the question of whether the adaptation of the collective agreement results in higher employment levels at all. Over the last decade, the number of employees covered by the collective agreement for the construction industry has declined from 250,000 (1983) to 150,000 workers (1995). The current campaign of construction companies to reduce labour costs and increase the flexibility of the collective social funds in the sector will further enhance cost based competition in the sector. Whether this leads to job creation has to be seen.

A fifth and related argument refers to vocational education and training policies, although that has not been documented extensively in the text (see Clarke and Wall, 1996; Van Lieshout, 1998). Regarding this important issue, the Dutch could learn something from reflecting on Germany. During the 'Bouw-vak-werk' experiment, it became clear that, though many training facilities were available, even in a modular system, there was continuous conflict of whether the government or the sector should bear the responsibility and cost of training the unemployed. Training, moreover, was time consuming and costly, since many candidates dropped out or were not transferred to a new job, so that the outcomes were neither efficient nor effective. In addition, we conclude that training policy and the 'Bouw-vak-werk' programme were following too separate paths. Even stronger, one may argue that in general, since the economic downturn of the early 1980s, vocational education and training policies have been undervalued in the Netherlands. In the construction sector, enterprises facing recruitment problems and an ageing labour force, have gradually brought training and apprenticeship back to the political agenda again. The coverage of training, however, is suffering from the free riding of companies and there is additionally not a smooth transition from initial vocational training to work experience and jobs. As a consequence, the Dutch construction industry currently has jobs available, but does not have the trained young personnel to fulfil them. The German Dual System, which includes a wide company coverage has an important advantage here to offer skilled labour.

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